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Oilseeds and Products

Annual

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Report Highlights:
The Israeli market demand for U.S. soybean imports remained stable in MY2000 at about 550,000 mt while imports from other sources fell slightly from 85,000 mt to 68,000 mt. Total soybean imports in MY2001 are expected to increase, both from the U.S. and from Argentina. Israeli crushers reported low internal market prices for oil and for meal, and some show financial losses. A producer of textured soy concentrate is increasing production for domestic consumption and export.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

The Israel oilseeds market consists primarily of soybeans imported for crushing. Some additional soy meal is imported from the U.S., while sunflower and rape meal for feed are imported from various sources. Crude and refined oils are also imported from many sources. Production of oilseeds in Israel is limited to confectionary peanuts and confectionery sunflower seeds, about half of which are exported. Small areas of safflower are also planted.

The market for U.S. soybeans remained stable in My2000 (October 2000 - September 2001), particularly as the Israeli economy slowed down after January 2001. Soybean imports from the U.S. totaled 549,000 mt. Imports from non-U.S. sources were reduced by nearly 20,000 mt in the wake of previous quality problems in non-U.S. supply. The U.S. market share moved up 89% in MY2000, but may not remain quite at that level, as low-priced Argentinean supplies continue to tempt Israeli crushers. Overall imports in MY2001 are expected to increase and may reach 700 tmt, including an increase of 50,000 tons from the U.S.

Total soy meal imports, which peaked at 62,000 mt in CY 2000, slid back to former import levels of about 50,000 tons in MY 2000 as non-U.S. sources disappeared from the Israeli market.

Soy oil, corn oil, sunflower oil, and rape seed oil are all produced locally from imported seeds, as well as imported directly. Total food oil imports (crude and refined) in 2001 are estimated at some 70,000 mt, including 20,000 mt imported by the Palestinian Authority (PA).

Oilseed demand is spurred by continued, but slower growth in the livestock and poultry sector, as well as increasing production of textured soy protein for human consumption.

Israel is still finalizing its GMO policy, and will apparently adopt labeling regulations similar to those of the E.U. Currently, GM soybeans require declaration upon import.

Oilseeds

The Israeli oilseeds market consists primarily of soybeans imported for crushing. Sunflower, rapeseed and corn are also imported for crushing. Additionally, soy meal and sunflower meal for feed is imported from the U.S. and other countries. Crude and refined oils are also imported from many sources. Production of oilseeds in Israel is limited to confectionary peanuts and sunflower seeds, about half of which are exported. Small areas of safflower are also planted.

Table 1. Oilseeds - Summary (tmt)

Marketing Year*	1999	2000	Preliminary 2001	Forecast 2002
Domestic production (peanuts, sunflower, safflower)**	22	25	28	28
Imports: Soybean**	636	617	700	750
From the U.S.**	551	549	600	648
U.S. share %	87	89	89	92
End of year stock ***	90	73	87	93
Rapeseed and sunflower imports**	58	67	70	70
Domestic soybean crush***	625	573	640	697

*Oilseed marketing year begins 1 October of the calendar year.

** Source: Ministry of Agriculture.

***Estimated based on discussions with crushers.

Table 2. PSD Soybean

PSD Table						
Country: Israel						
Commodity: Soybean						
	2000		**2001**		**2002**	
	Old	**New**	**Old**	**New**	**Old**	**New**
Market Year Begins	**10/2000**		**10/2001**		**10/2002**	
Area Planted	0	0	0	0		0
Area Harvested	0	0	0	0		0
Beginning Stocks	5	81	18	73		87
Production	0	0	0	0		0
MY Imports	679	617	530	700		750
MY Imports from U.S.	625	549	525	600		648
MY Imports from the EU	0	0	0	2		3
TOTAL SUPPLY	684	698	548	773		837
My Exports	0	0	0	0		0
My Exports to the EU	0	0	0	0		0
Crush Domestic Consumption	650	573	520	640		697
Food Use Domestic Consumption	15	50	11	45		48
Feed Waste Domestic Consumption	1	2	2	2		2
Total Domestic Consumption	666	625	533	686		747
Ending Stock	18	73	15	87		93
TOTAL DISTRIBUTION	684	698	548	773		837
Calendar Year Imports	657	552	645	627		750
Calendar Year Import from U.S.	608	549	633	503		620
Calendar Year Exports	0	0	0	0		0

Calendar Year Exports to U.S.	0	0	0	0		0

Production

In Israel, there is no production of oilseeds for crushing. About 10,000 mt of sunflowers and 15,000mt of peanuts are produced for confectionery, and about half are exported. A small quantity of safflower is grown as well.

All oilseeds for crushing are imported. This condition is not expected to change as production for crushing is not economical, mainly due to Israel's serious water shortage. Given the continued partial drought and decline in agricultural production caused by a 50 percent average cut in irrigation quotas, it is possible in the long term that production of peanuts and confectionary sunflower seeds may also be reduced, thus eliminating the current supplies for export and possibly opening opportunities to increase confectionery exports from the U.S.

Consumption

The consumption of oilseeds is derived from the demand for oil meals for livestock and poultry, and, to an increasing degree, for production of textured soybean concentrate for human consumption. The three livestock sectors (broilers, turkeys and cattle) showed marginal growth in 2001 of between 3-7 percent, as the number of producers continued to fall and production units expanded. The oilseed protein demand of the livestock sector is met by locally-crushed soybean meal, imported soy meal and sunflower meal.

Much of the current and expected future growth of soybean consumption is a result of the expanding production of Solbar-Hatzor, a producer and exporter of textured soy protein concentrate. The firm also sells soybean oils and soybean meal as by-products.

Trade

Exports

The only oilseed exports in 2000 and 2001 were about 10,000 mt of confectionery peanuts and about 7,000 mt of confectionery sunflower seeds. There is also a growing export of textured soy protein concentrate, estimated at the equivalent of about 70,000 mt of soybeans, all of which are imported from the U.S.

Imports

In MY2000 Israel imported 617 tmt of soybeans; U.S. supplies accounted for 549 tmt of the total. This 89 percent market share was higher than many previous years, but lower than the anomalous 99% share in CY2000. It may fall slightly in MY2001 as Israeli crushers continue to look for cheaper sources in Argentina, Australia, and elsewhere. Nevertheless, imports from the U.S. are forecast at 600 tmt in MY2001, as total soybean imports rise to 700 tmt.

Israel's four main crushers often join forces in soybean imports, and sometimes grain millers are included in logistic arrangements. There is a difference of opinion among the crushers over the premium worth paying for U.S. soybeans. Some crushers believe that the product quality and shipping arrangements of U.S. soybeans are worth paying a $10-15 per ton premium. Others think that the quality and accurate weight can be supplied from non-U.S. sources if proper arrangements are made. As a result, much of the import of US beans tends to be purchased and shipped together for all four crushers, but the individual plants are also buying some supplies on their own. Domestic crushers have to compte with imports of soy meal, soy oil and other meal and vegetable oil imports. Feed millers import 50 to 60 tmt of soybean meal each year, essentially to keep the crushers under competitive pressure. The import competition issue is discussed in the oil meal trade policy section below.

Some 67 tmt of rapeseed and sunflower seed were imported in MY2000 primarily for crushing. Most of the rapeseed came from the E.U. Quantities of sunflower seeds for crushing continue to be imported from Eastern Europe.

Imported corn is also used for livestock feed. An additional 70-100,000 tons of genetically unmodified corn are used as raw material for the food and starch manufacturing industries. Israel does not have official regulations banning genetically modified organisms (gmo) or food containing them but processors and manufacturers who export to Europe are required to provide proof that their product is from non gmo ingredients.

Table 3. Soybean Trade Matrix - Imports

Country of Sale	CY2000 Quantity mt	CY2001 Quantity mt
U.S.A.	549,000	503,000
Other:		0
Romania	3,400	0
Argentina	0	96,600
Australia	0	9,500
Paraguay	0	3,000
Others not listed	0	15,000
Total	552,400	627,100

Table 4. Rapeseed Trade Matrix - Imports

Country of Sale	CY2000 $'000	CY2001 $'000	CY2002-mt
United Kingdom	2,835	0	0
France	2,508	914	3,800
Ukraine	1,157	0	0
Germany	0	3,732	16,238
Romania	0	1,288	5,937
Austria	0	999	5,279
Other	896	13	25
Total	**7,396**	**6,946**	**31,279**

Trade Policy

All oilseeds for crushing are exempt of duty.

For confectionary sunflower seeds of U.S. origin there is a duty free tariff quota of 3,000 mt in 2002, shared between Israel and Palestinian importers. This is an enlargement of the 2001 tariff quota of 2,251, which was essentially filled. Over quota duties on sunflowers seeds appear below. At these levels, the Ukraine and Russia were the chief suppliers of about 6,000 mt. in 2002.

Table 5. Sunflower Seed Tariff

Heading	Description	MFN Tariff	EU and EFTA
12.06.1010/0	For which the Director General of the Ministry of Industry and Trade confirmed that they are for oil processing	Exempt	Exempt
12.06.1020/9	For which the Director General of the Ministry of Industry and Trade confirmed that they are birdfeed.	Exempt	Exempt
12.06.1040/7	The value of which does not exceed NS 3.70/kg.	NS 3.70/kg BNM than 125%	NS 3.70/kg BNM than 139%
	of U.S. origin (90% of the MFN tariff)	NS 3.30/kg BNM than 112.5%	
12.06.1090/2	Others	NS 1.11/kg + 20%	NS 1.11/kg+20%

	of U.S. origin (90% of MFN tariff)	NS 1.00/kg+18%	

Source: Israel Customs Tariff, 2002
Note: BNM = but not more.

Implications for U.S. Exporters

The main selling point of U.S. oilseeds is quality of the product and reliability of supply. Israeli crushers are willing to pay some premium for these, particularly in light of their mixed experience in buying lower-cost seeds from South America, Europe and Asia. Yet as Israeli buyers continue to check other sources, it is important for U.S. exporters to maintain regular contact and good relations with the Israeli crushing industry.

Israeli feed millers who are clients of Israeli crushers are also clients of U.S. soy meal exporters. But while Israeli feed mills will continue to import some meal to keep the Israeli crushers price competitive, it appears that the millers do not want to see the Israeli crushing industry collapse. They are not eager to undertake the financial and logistic costs of importing the bulk of their raw material.

Oil Meal.

Table 6. PSD Soybean Meal

PSD Table						
Country: Israel						
Commodity: Soybean Meal						
	2000		2001		2002	
	Old	Revised	Old	New	Old	New
Market Year Begins	10/2000		10/2001		10/2002	
Crush	650	573	520	640		697
Extraction Rate	0.79	0.79	0.83	0.79		0.79
Beginning Stocks	5	5	5	5		5
Production	515	452	434	505		550
MY Imports	60	58	120	56		60
MY Imports from U.S.	53	48	75	55		58
MY Imports from the EC	17	0	5	0		0
TOTAL SUPPLY	580	516	559	566		615
MY Exports	15	0	0	0		0
MY Exports to the EC	0	0	0	0		0
Industrial Domestic Consumption	3	1	2	1		0
Food Use Domestic Consumption	556	508	552	559		608
Feed Waste Domestic Consumption	1	1	1	1		1
Total Domestic Consumption	560	510	555	561		610
Ending Stock	5	5	4	5		5
TOTAL DISTRIBUTION	580	515	559	566		615
Calendar Year Imports	51	72	75	54		65
Calendar Year Imports to U.S.	38	62	58	54		50

Calendar Year Exports	0	0	0	0		0
Calendar Year Exports to U.S.	0	0	0	0		0

Production

Most oil meal production is geared to livestock and poultry consumption, limited by crushing capacity and complemented to a minor degree by imports. The crushing plants cannot satisfy the growing demand for Hi Pro 48 percent protein meal. Most of the crushers produce only 44 percent soy meal. Hi-Pro meal is still produced only by one crusher and this is also by old inefficient equipment. There were no developments in full fat soy production. One feed mill has installed equipment but it is used only for producing fish feed. Israeli feed millers prefer soap stock, which costs less and is readily available.

Table 7. Oil Meal Summary (mt)

Marketing Year	1999	2000	2001 Preliminary	2002 Forecast
Crush	625	573	640	697
Soy meal production	510	452	505	550
Soy meal imports	40	58	56	60
Of which from the U.S.	33	48	55	58
U.S. share %	82	83	98	98
Other meals	86	66	80	90

Source: MOA, Pricing and Supply Dept. figures

Consumption

The consumption of oil meal in CY 2000 increased by 6 percent but remained stable in MY2000 as production volumes of broilers and egg production leveled off. More concentrated feed was used for dairy cattle, induced by Israel's extended drought and shortage of roughage.

The three livestock sectors that are mainly responsible for the demand for feed are broilers, turkeys and cattle.

1.Broilers-

Broiler production in CY 2001 rose by 3.7 percent, but growth appears to have leveled off from previous higher rates. In the long term, production volume has grown by 25 percent over the four years beginning 1997. A large variety of broiler products are processed. Continued consolidation in the sector and lower prices have lead to large investments in marketing. The extension of branding of chilled and frozen products has stimulated broiler demand. The European and worldwide concern over

BSE and foot-and-mouth disease in 2000 and early 2001 also drew consumers to replace beef with poultry.

Israeli per-capita consumption of broiler meat remained at 32 kg per year in 2001. Marketing studies show that consumption has not reached its peak and there is still potential for per-capita consumption growth.

Table 8. Annual Broiler Production '000 mt live weight

	Production	% change
1998	245	5.1
1999	270	10.2
2000	297	10.0
2001	308	3.7

Source: Agricultural Center

2. Turkeys

Production in CY2001 was essentially identical to the 2000 level of 108 tmt of turkey meat. Prices rose slightly, compensating somewhat for revenue decline in 2000. Turkey breast meat is also exported, and total poultry exports, primarily turkey breast and goose liver, are estimated at $15.0 million in 2001.

3. Beef and Dairy Cattle

Israel's severe drought eased significantly in the winter of 2001-2002, and availability of roughages has improved, thus consumption of unusually high percentages of concentrated feed is not expected to continue in MY2001

While the Israeli dairy industry is going through a period of consolidation and production is leveling off, the Israel beef industry is growing, and may grow even faster in the years ahead. The beef herd is being increased by the import of young calves for fattening and finishing. From a few thousand head prior to 1999, calf imports grew to 103,0000 in CY2001, including some 30,000 transferred to the Palestinian Authority mainly for immediate slaughter. All this is resulting in increased feed consumption. Importation of live calves for fattening and finishing provides a partial solution to the kashrut problem related to slaughtering cattle abroad and importing frozen kosher beef. Moreover, Israeli beef slaughter houses have seen the effects of branding and market sophistication on the poultry market, and are copying the success. Better promotion, branding, and distribution have increased consumption of fresh beef, at the expense of imported frozen beef. This trend will continue as other major sellers come into the market.

Trade

Exports

In the year 2001 no exports of animal feed were recorded. Approximately 15-20 percent of the mixed feed produced by Israel's main feed mills is sold to dealers in the Palestinian Authority (PA), mainly for poultry, sheep and goats. Despite the public unrest between Israel and the PA, considerable trade continues to be maintained, although reduced from 2000 levels. As well, it tends to be somewhat sporadic depending on the levels of violence. This can create temporary difficulties

Imports

some observers contend that oil meal imports may be expected to increase in the future, due to the combination of the refusal of most crushers to produce HI-Pro 48 percent soy meal and the uncertain level of the levy on feed meal imports, as discussed below. Yet discussions with feed mill operators reveal that while there is interest in maintaining some imports of meal to put price pressure on the Israeli crushers, the feed millers do not believe that they could substantially reduce their costs of supply by importing very large quantities of meal. They point out that the higher bulk volume of meal increases transport costs and note that feed meal is supplied directly from the crushers on demand and transported directly to the millers, instead of being offloaded in the port, stored in larger silos, then delivered to the feed mill.

Table 9. Estimated Share of Soybean Meal in Total Feed Sales.

Year	Total Feed (tmt)	Soy meal consumed* (tmt)	Soy meal as % of total feed	Imported soy meal (mt)
1993	1,910	413	21.6	7,140
1994	2,006	347	17.3	52,000
1995	2,042	406	19.9	14,000
1996	2,011	433	21.5	80,000
1997	2,007	498	24.8	32,000
1998	2,068	438	21.2	24,000
1999	2,222	556	25.0	51,000
2000	2,266	556	24.5	72,000
2001(est.)	2,323	572	24.6	54,000

Source: MOA

*Soybean meal consumption is calculated as domestic crush plus imported meal.

Prices

In the long term, Israeli prices are determined by world soy prices as set at the Chicago Board of

Trade. In the short term, however, Israeli meal prices are capped by the threat of alternative imports.

Table 10. Development of Soy Meal Prices - (NS/mt ex-factory)

Month/Year	1997	1998	1999	2000	2001
January	1,056	1,077	794	832	1,005
February	1,076	1,051	761	840	979
March	1,140	983	738	840	952
April	1,217	927	720	850	899
May	1,258	905	745	850	857
June	1,312	819	765	850	874
July	1,271	828	770	850	912
August	1,200	822	793	840	961
September	1,110	807	853	840	1,012
October	1,119	873	879	850	1,012
November	1,122	858	848	850	988
December	1,099	812	841	850	978

Source: CBS, Price Statistics, Monthly. NS = new sheqel
Exchange Rate: $1 = NS. 3.28 (1/97), 3.58 (1/98), 4.10 (1/99), 4.1 (1/00), 4.12(12/00), 4.28(12/01)

Trade Policy

The domestic crushing industry enjoys some protection as a result of duty free imports of oil seeds combined with import levies on protein meals and on oil. The rate of the import levy to be applied to U.S. source meals - between 3 percent and 5.5 percent or higher, and on oil has become an issue of debate and litigation in Israel between the crushers, the feed mills, the processed food industry, the livestock and poultry industry, the Ministry of Industry and Trade, the Ministry of Agriculture, and the Finance Committee of Israel's Knesset.

As a result of the 1985 U.S.-Israel Free Trade Area Agreement (FTAA) and the 1995 Agreement on Trade in Agricultural Products (ATAP), the U.S. has a 38 percent reduction from the MFN duty on

soy meal. The agreed MFN duty is 14 percent, which would give the U.S. an 8.7 percent levy. But in 1998, under pressure from the feed millers, the government announced an import liberalization policy with a gradual reduction of the levy on meal and oil imports, so that the operative levy on U.S. source soy meal would reach 3 percent in 2001. The 3 percent protection was generally accepted as a minimum by all Israeli parties, in light of the additional costs Israeli crushers incur by being required to close down operations on the Sabbath in order to maintain their kosher certifications, and their obligation to hold, at their expense, emergency stocks of soy beans. In fact, however, as a result of disagreements in the ministry discussions and in the Knesset (Israel's parliament) Finance Committee at the end of 2000, the list of levies published on 1 January 2001 omitted any reference to the levy on soy meals - and so 0 percent was collected.

By February 1, the 3 percent levy was reinstated - but for a 6 month period only. On July 1, 2001 the temporary levy expired, still no agreement had been reached, and again the levy fell to 0 percent. By September 2001 the crushers had convinced the government that the 3 percent margin was too low, and that their losses were ruinous. A new levy on oil meal came into effect on September 10, 2001: 5.5 percent on soybean meal from the U.S.; 9.5 percent from other sources - again for a six month period. By November, one feed mill operator had filed for compensation as a result of the higher levy. By March 31, 2002, the six-month levy again expired, and as this report is being prepared, the actual levy is again 0 percent.

Ministry of Industry and Trade officials say that the issue will soon be resolved and they will make every effort to establish a new levy rate which will be applied more consistently. However, the ministries are not on their own to make the determination. The Finance Committee of the Knesset must approve the levy, and the Committee is lobbied actively by all concerned.
To some extent, the uncertainty of the levy was one factor that prevented feed mill operators from importing more aggressively in 2001.

Table 11. Levy on Imported Soy Meal (Custom Code:2304.000)

	Jan 1 2000	Jan 1 2001	Feb 2 2001	July 1 2001	Sept. 10 2001	April 1 2002	Future (Estimate)
From USA	6%	0%	3%	0%	5.5%	0%	At least 3%
From Other	9.5%	0%	5%	0%	9.5%	0%	At least 5%

Source: Israel Ministry of Industry and Trade

Implications for U.S. Exporters.
The import protection on soy meal and other feed meals certainly serves to reduce the volume of imported meal. By most calculations, the Israeli crushers do have extraordinary expenses which make them less cost-efficient and thus more vulnerable to imports. In order to keep their kosher certifications the Israeli Rabbinate demands that they shut down production each week on Friday afternoon before the Sabbath, and resume only after the Sabbath. Beyond the reduction in use of capacity, this requires additional shutdown and startup costs. As well, crushers are required by the government to hold, at

their own expense, a two-month supply of oil seeds as a strategic stock.

Yet even as the levy on soy meal is reduced, it would be a mistake to assume that the Israeli crushing industry, or even the poultry and cattle industry, would accept the sweeping replacement of domestic crushing by imported meal. The gradual increase of imported meal is more likely to serve as buffer stock complementing domestic production to cover stable growth of consumption in the long term. Israeli crushers may not be able to meet this increased demand without significant new investment, which may be only marginally profitable.
The U.S. is the main reliable world supplier of 48 percent Hi- Pro meal. Feed mill operators and poultry nutritionists prefer the 48 percent meal because of the added flexibility it offers in ration formulation. The fact that Israeli crushers are not producing 48 percent meal makes them more vulnerable to imports of high protein meals. As the levy on imported soybean meal is reduced, hi-protein soybean meal imports should be expected to displace some soybeans.

Vegetable Oils

Table 12. PSD Soybean Oil

PSD Table						
Country: Israel						
Commodity: Soybean Oil -Thousand of mt						
	2000		2001		2002	
	Old	Revised	Old	New	Old	New
Market Year Begins	10/2000		10/2001		10/2002	
Crush	650	573	520	640		697
Extraction Rate	0.16	0.18	0.16	0.18		0.18
Beginning Stocks	17	17	16	15		16
Production	109	103	85	115		125
MY Imports	5	9	18	12		14
MY Imports from U.S.	1	1	3	2		2
MY Imports from the EC	3	8	11	6		5
TOTAL SUPPLY	131	129	119	142		155
MY Exports	0	0	0	0		0
MY Exports to the EC	0	0		0		0
Industrial Domestic Consumption	50	50	45	57		61
Food Use Domestic Consumption	60	60	57	67		72
Feed Waste Domestic Consumption	5	4	1	2		2

Total Domestic Consumption	115	114	103	126		135
Ending Stock	16	15	16	16		20
TOTAL DISTRIBUTION	131	129	119	142		155
Calendar Year Imports	18	8	17	10		12
Calendar Year Imports to U.S.	2	1	2	2		2
Calendar Year Exports	0	0	0	0		0
Calendar Year Exports to U.S.	0	0	0	0		0

Production

Soy, corn, rapeseed and sunflower oils are all produced in Israel from imported seeds. Vegetable oils are also imported as crude and refined domestically - both by the crushers and by large manufacturers of margarine, snacks and other foods. Imports of refined oil, in bulk and bottled, is sporadic but at times substantial. Olive oil, palm oil, and other tropical oils are also used.

Crushing Capacity

Crushing capacity in Israel in 2002 is about 800 tmt of soy and other beans. Two crushers have upgraded and expanded their facilities in the last two years and at least one expects further expansion in the next two years. With profitability apparently uncertain, and the uncertainty of the import protection against imported oil and meal, traditional domestic crushers of oil and meal are reluctant to consider further expansion. The introduction of new crushing facilities in the region (Egypt and Turkey) may also present a threat to Israeli crushers. Current crushing capacities are estimated below.

Table 13. Estimated Crushing Capacity by Plants

Plant	2000	2002	2004 Projection
Shemen	200,000	220,000	220,000
Milomor	80,000	90,000	90,000
Solbar	100,000	180,000	270,000
Teth-Beth	160,000	170,000	175,000
Olivex	120,000	140,000	140,000
Total	660,000	800,000	895,000

Shemen is the largest soybean crusher in Israel, located in Haifa. It is the only public company of the group, with 25 percent of the company's stock traded on the Tel Aviv Stock Exchange. Shemen has upgraded production facilities and added considerable storage facilities in recent years. Since its

balance sheet is public and it is considered to have made necessary facility upgrades recently, it is used by the government as the litmus test for determining the oil and meal levy. If Shemen is losing (and it is) then the levy is too low. Shemen also owns the Milomor facility, which crushes and refines much of the non-soy oil in Israel. Shemen Industries also has other diversified holdings.

Solbar Hatzor is the fast-growing upstart of the group. Until recently, Solbar was primarily a producer of soy protein concentrate and textured concentrate for human consumption - one of only a handful in the world. Its excess oil and meal were essentially by-products, making only a small contribution to the market. But recently only about 40 percent of its soy beans go to human food. The rest are processed into oil and meal. In recent years its overall growth has made it a major player in the feed meal and oil markets in Israel. It is the only crusher that produces Hi-Pro meals, utilizing the hulls in the production of a very popular molasses mix.

Solbar intends to continue expanding its facilities in Ashdod, and expects a crush of 270,000 in the next two to three years, which would make it Israel's largest crusher. The firm is also unusual in its ownership. While ADM and Kibbutz Hatzor used to own shares, the firm is today owned by individual members of Kibbutz Hatzor - a precedent-breaking arrangement for the kibbutz collective system.

Teth-Beth is a family-owned firm near Ashkelon. The company had previously operated two soybean-crushing plants, but their total capacity is now reduced to one facility. The firm has also sold off its Vita subsidiary which made cakes, non-dairy creamers, and other food items. It now produces the products as a contractor for the new owners. Yet the crushing operation remains active and the owners plan to increase operations.

Olivex is a privately held firm, 25 percent owned by ADM, with facilities located in an urban area near Tel Aviv. In 2000, the plant made major renovations, but in time the real estate value of its land may cause relocation or closure.

Genetically Modified Products.

The government of Israel has appointed two committees to determine GMO policy: one chaired by the Ministry of Health and the second by a representative of the Plant Protection and Inspection Service of the MOA. The MOH committee circulated its proposal for public comment in 2001 and has now modified its proposed "general" regulation to cover only soy and corn products. The proposed regulation covers only product for human consumption and will require the labeling of any GM product and any resulting product containing 1% of GM protein or DNA. Thus, for example, GM soy beans will not require a special label. Conceivably, textured soy protein for human consumption would require a GM label if made from GM beans. The Israeli soybean food producers, however, are firmly against use of GM beans for their raw material.

By the same logic, soy protein meal for animals could require a GM label. However, the Health Ministry regulation will apply only to human food and the Ministry of Agriculture has not yet completed

its consideration of GM labeling of animals feed. The Ministry does require a formal declaration on the import form if the direct product (e.g soybean) is genetically modified.

Table 14. Vegetable Oil - Summary - mt

Calendar Year	2000	2001	2002
Production: Soy oil	103,000	115,000	125,000
Refining - Other Oils	27,000	29,000	30,000
Major Oil Imports	22,338	27,185	30,000
Of which:			
Soy oil - Crude	4,763	6,450	
Soy oil - Refined	3,216	4,153	
Corn oil - Crude	3,182	6,212	
Corn oil - Refined	11,177	10,470	
Total Oil	152,338	171,185	185,000

Consumption

Consumption of vegetable oils has increased rapidly in the past years. This is explained mainly by the rapid growth of snack food production and by growth of the fast food sector. Soy oil sales represent about 74 percent of total vegetable oil consumption.

Prices

The crushers try to use the oil price to compensate for the lower price of protein meal dictated by direct importation by the feed millers. In the long-term, the price of soybean meals and oils is dictated by the price of soybean on the Chicago Board of Trade; in the short-term component prices change according to market demands. Refined oil imports are sporadic, since duty free imported soybeans for crushing

are often cheaper than importing refined oil and paying the levy. However, particularly low prices in 2001 from Argentina may temporarily change this situation. The recent steep devaluation of the Argentine peso from parity to 3.5 per dollar makes exports from Argentina appear very attractive.

Table 15. Consumer Price of Soybean Oil - NS per 1,000 cc

Month/Year	1997	1998	1999	2000	2001
January	5.23	5.68	7.08	6.40	6.15
February	5.66	5.91	7.15	6.32	5.81
March	5.21	6.07	7.05	6.40	5.42
April	5.24	6.17	7.55	6.45	5.40
May	5.20	6.15	7.49	6.43	5.66
June	5.15	6.43	7.43	6.40	5.72
July	5.19	6.37	6.60	6.38	5.36
August	5.26	6.43	6.44	6.04	5.34
September	5.30	6.43	6.35	6.24	5.37
October	5.37	6.44	5.70	6.31	5.42
November	5.52	7.00	6.28	5.84	5.32
December	5.62	7.17	6.39	6.15	5.37

Source: CBS, Price Statistics Monthly. NS = new sheqel
Exchange Rate: $1 = NS, 3.10 (1/96), 3.28 (1/97), 3.58 (1/98), 4.10 (1/99), 4.10 (1/00), 4.12(12/00) 4.28(12/01)

Trade

Total vegetable oil imports average some 30 tmt per year, including tropical oils. Additional quantities of over 20 tmt are also imported directly to the Palestinian Authority. These are both crude in bulk and refined in consumer packaging. Most purchases are based on spot transactions in the international market and not on long term agreements.

Table 16. Trade matrix: Crude Soy Oil - Imports

Country of Sale	CY2000 Value $1000	CY2000 Quantity mt	CY2001 Value $1000	CY2001 Quantity mt
U.S.A.	261	510	57	31
Other:				
Greece	1,763	4,066	1,507	3,719
Spain			813	2,140
Others not Listed	105	200	217	460
Total	2,129	4,776	2,594	6,350

Table 17. Trade Matrix : Refined Soy Oil - Imports

Country of Sale	CY2000 Value $1000	CY2000 Quantity mt	CY2001 Value $1000	CY2001 Quantity mt
U.S.A.	761	982	1,255	1,578
Other:				
Argentina	861	1,318	918	1,606
Netherlands	256	403	91	172
France	182	296	0	0
Belgium	139	202	286	539
Others not listed	12	15	168	258
Total	2,211	3,216	2,718	4,153

Table 18. Trade Matrix: Crude Corn Oil - Imports

Country of Sale	CY2000 Value $1000	CY2000 Quantity mt	CY2001 Value $1000	CY2001 Quantity mt
U.S.A.	3,104	n.a.	2,258	4,354
Other:				
Turkey	47	n.a.	532	1,095

Netherlands			262	106
Others not listed	217		130	657
Total	3,321	n.a	3,182	6,212

Table 19.Trade Matrix: Refined Corn Oil - Imports

Country of	CY2000 Value $1000	CY2000 Quantity mt	CY2001 Value $1000	CY2001 Quantity mt
U.S.A.	791	833	648	696
Other:				
Argentina	751	935	465	695
Turkey	7,047	8,735	5,655	8,483
France	224	240	29	41
Others not listed	378	434	417	555
Total	**9,191**	**11,177**	**7,213**	**10,470**

Other Oils

Other oil imports in CY 2001 included 16,860 mt of palm oil in its various forms, valued at $5.6 million, mainly from Singapore and Malaysia. Sunflower and safflower oil imports remained at $3 million from Argentina, Turkey and many other sources.

Trade Policy

The trade policy for imports of oil is identical to the policy of oil protein meal discussed in the section above. The same arguments and disputes ran in parallel in 2001, except that Israeli food manufacturers and processors substituted for the feed millers in lobbying for the reduction of the import levy on oils. If anything, the food processors were more aggressive in their arguments. Many claim that their own

finished products (pretzels, snacks etc) must compete in the Israeli market place against duty-free imports of foodstuffs. They argue that it is unreasonable to place a duty on their raw material.

Table 20. Import Levy on Soy, Rapeseed and Sunflower Oil

	Jan 1 2000	Jan 1 2001	Feb 1 2001	July 1 2001	Sept 10 2001	April 1 2002	Future (estimate)
From USA	4.2%	0%	3%	0%	4.5%	0%	At least 3%
From other Sources	7.0%	0%	5%	0%	7.5%	0%	At least 5%